

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1282
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently generation interconnection costs in the Electric Reliability Council of Texas (ERCOT) are socialized and paid for by Texas consumers and the interconnecting generator bears none of the costs. These interconnection costs are akin to the "driveway" to the transmission system that would allow the generators to connect and offer their electrons.

S.B. 1282 would require generators to pay for their own driveway instead of socializing these costs to consumers and subsidizing for new generation regardless of whether it chooses to site its facility in a way that reflects efficient economic decisions.

Assignment of interconnection costs provides significant benefits. Cost assignment:

- Reduces transmission costs paid by consumers; and
- Encourages efficient siting and design choices by developers.

This cost assignment practice is widely used across the country and is consistent with cost-causation principles.

Regulated utilities would still own and safely operate the interconnection facilities but the cost would be assigned directly to the party that causes the cost.

Additional background:

There are about \$1 billion of interconnection costs associated with pending generation projects in the ERCOT queue. Because generators do not pay for interconnection costs, they are not incentivized to look for the best locations to efficiently interconnect new resources, and instead often opt for cheap land that is far from the load (e.g., consumers) that they wish to serve—causing millions of dollars of costs to the system for all consumers.

Utilities that operate in SPP, MISO, PJM, and California currently operate using the pay-your-own-driveway construct. Many of the ERCOT utilities have affiliates in those areas and know how to assign these costs consistent with cost-causation principles.

(Original Author's / Sponsor's Statement of Intent)

C.S.S.B. 1282 amends current law relating to cost recovery for costs arising from the interconnection of certain electric generation facilities with the ERCOT transmission system.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 1 (Section 35.004, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 35.004, Utilities Code, by amending Subsection (d) and adding Subsection (d-1), as follows:

(d) Requires the Public Utility Commission of Texas (PUC) to price wholesale transmission services within the Electric Reliability Council of Texas (ERCOT) based on the postage stamp method of pricing under which a transmission-owning utility's rate is based on the ERCOT utilities' combined annual costs of transmission, other than costs that exceed the allowance described in Subsection (d-1), divided by the total demand placed on the combined transmission systems of all such transmission-owning utilities within a power region.

(d-1) Requires the PUC by rule to establish a reasonable allowance for capital costs incurred to interconnect generation resources and electric energy storage resources described by Section 35.152(a) (relating to providing that electric energy storage equipment or facilities that are intended to be used to sell energy or ancillary services at wholesale are generation assets) with the ERCOT transmission system, which is required to include the costs of the direct interconnection of the generator to the system and upgrades directly caused by the interconnection. Requires that any costs that exceed the allowance be borne directly by the generation resource or electric energy storage resource receiving interconnection service through the facilities.

SECTION 2. Effective date: September 1, 2021.